

**House File 2324 - Introduced**

HOUSE FILE 2324

BY LUKAN

**A BILL FOR**

1 An Act providing education savings grants for certain pupils  
2 attending an accredited nonpublic school or receiving  
3 competent private instruction, establishing an education  
4 savings grant fund, making appropriations, providing  
5 penalties, and including applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 12D.3, subsection 1, paragraph a, Code  
2 2011, is amended to read as follows:

3 a. Each participation agreement may require a participant  
4 to agree to invest a specific amount of money in the trust  
5 for a specific period of time for the benefit of a specific  
6 beneficiary. A participant shall not be required to make an  
7 annual contribution on behalf of a beneficiary. The maximum  
8 contribution that may be deducted for Iowa income tax purposes  
9 shall not exceed two thousand dollars per beneficiary per year  
10 adjusted annually to reflect increases in the consumer price  
11 index. A contribution to an account that is the result of a  
12 transfer from an account in the education savings grant fund  
13 under section 257.11B shall not be considered a contribution  
14 that may be deducted for Iowa income tax purposes. The  
15 treasurer of state shall set an account balance limit to  
16 maintain compliance with section 529 of the Internal Revenue  
17 Code. A contribution shall not be permitted to the extent it  
18 causes the aggregate balance of all accounts established for  
19 the same beneficiary to exceed the applicable account balance  
20 limit.

21 Sec. 2. Section 256.7, Code Supplement 2011, is amended by  
22 adding the following new subsection:

23 NEW SUBSECTION. 31. Adopt rules relating to applications  
24 for an education savings grant pursuant to section 257.11B,  
25 including application processing timelines and information  
26 required to be submitted by a parent or guardian.

27 Sec. 3. Section 257.6, subsection 1, paragraph a, Code 2011,  
28 is amended by adding the following new subparagraph:

29 NEW SUBPARAGRAPH. (8) Resident pupils receiving an  
30 education savings grant pursuant to section 257.11B and not  
31 included in the actual enrollment under another provision of  
32 this paragraph.

33 Sec. 4. NEW SECTION. **257.11B Education savings grant**  
34 **program.**

35 1. Pupils eligible to enroll in grades kindergarten

1 through twelve and attending an accredited nonpublic school  
2 or receiving competent private instruction under chapter 299A  
3 shall be eligible to receive an education savings grant in the  
4 manner provided in this section for school years beginning  
5 on or after July 1, 2013. Education savings grants shall be  
6 available for disbursement to parents and guardians for the  
7 payment of qualified education expenses as provided in this  
8 section.

9     2. *a.* (1) By January 31 preceding the school year for  
10 which the education savings grant is requested, the parent  
11 or guardian of the pupil requesting to receive an education  
12 savings grant shall submit an application to the department of  
13 education, on application forms developed by the department,  
14 indicating that the parent or guardian intends to enroll the  
15 pupil in an accredited nonpublic school or provide competent  
16 private instruction for the pupil under chapter 299A.

17     (2) In addition to such information deemed appropriate by  
18 the department of education, the application shall require the  
19 following information:

20     (a) Certification from the accredited nonpublic school  
21 of the pupil's enrollment for the following school year or a  
22 statement indicating the parent or guardian's intent to provide  
23 or arrange for competent private instruction for the pupil for  
24 the following school year.

25     (b) Certification from the parent or guardian of the pupil  
26 that an account has been established in the pupil's name in the  
27 Iowa education savings plan trust pursuant to chapter 12D.

28     *b.* By March 1 preceding the school year for which the  
29 education savings grant is requested, the department of  
30 education shall notify the department of management of the  
31 number of pupils in each school district designated for the  
32 following school year to receive an education savings grant  
33 and the amount of the education savings grant for each pupil.  
34 The department of education shall also notify the parent  
35 or guardian of such pupils who are approved to receive an

1 education savings grant.

2     *c.* Education savings grants shall only be approved for one  
3 school year and applications must be submitted under paragraph  
4 "a" for education savings grants in subsequent school years.

5     3. *a.* (1) The department of management shall assign each  
6 pupil an education savings grant in an amount equal to one of  
7 the following:

8     (a) For pupils that meet the income eligibility requirement  
9 for free and reduced price meals under the federal National  
10 School Lunch Act and the federal Child Nutrition Act of  
11 1966, 42 U.S.C. § 1751-1785, one hundred percent of the  
12 state foundation aid per pupil received by the pupil's school  
13 district of residence in the same school year.

14     (b) For pupils from a household with an income that is  
15 greater than the income eligibility requirement for free and  
16 reduced price meals under the federal National School Lunch  
17 Act and the federal Child Nutrition Act of 1966, 42 U.S.C.  
18 § 1751-1785, but that is less than one hundred fifty percent  
19 of such income eligibility requirement, seventy-five percent  
20 of the state foundation aid per pupil received by the pupil's  
21 school district of residence in the same school year.

22     (c) For pupils from a household with an income that is  
23 equal to or greater than one hundred fifty percent of the  
24 income eligibility requirement for free and reduced price meals  
25 under the federal National School Lunch Act and the federal  
26 Child Nutrition Act of 1966, 42 U.S.C. § 1751-1785, but that  
27 is less than two hundred percent of such income eligibility  
28 requirement, fifty percent of the state foundation aid per  
29 pupil received by the pupil's school district of residence in  
30 the same school year.

31     (d) For pupils from a household with an income that is  
32 equal to or greater than two hundred percent of the income  
33 eligibility requirement for free and reduced price meals under  
34 the federal National School Lunch Act and the federal Child  
35 Nutrition Act of 1966, 42 U.S.C. § 1751-1785, but that is less

1 than two hundred fifty percent of such income eligibility  
2 requirement, twenty-five percent of the state foundation aid  
3 per pupil received by the pupil's school district of residence  
4 in the same school year.

5 (2) The department of management, in consultation with the  
6 department of education, shall reduce the September payment  
7 to the pupil's school district of residence otherwise payable  
8 pursuant to section 257.16 for the school budget year by an  
9 amount equal to the education savings grant awarded to the  
10 pupil for that budget year.

11 b. The department of management shall on July 1 following  
12 the determination of the amount of the education savings grant  
13 for each approved pupil transfer such amounts to the pupil's  
14 account in the Iowa education savings grant fund established  
15 under subsection 4. Such amount shall be available for  
16 disbursement to the pupil's parent or guardian for the payment  
17 of qualified educational expenses incurred by such persons for  
18 the pupil during that school year.

19 4. An Iowa education savings grant fund is created in  
20 the state treasury under the control of the department of  
21 management consisting of moneys appropriated to the department  
22 for the purpose of providing education savings grants under  
23 this section. For the fiscal year commencing July 1, 2013, and  
24 each succeeding fiscal year, there is appropriated from the  
25 general fund of the state to the department of management the  
26 amount necessary to pay all education savings grants approved  
27 for that fiscal year. The director of the department of  
28 management has all powers necessary to carry out and effectuate  
29 the purposes, objectives, and provisions of this section  
30 pertaining to the fund, including the power to do all of the  
31 following:

32 a. Make and enter into contracts necessary for the  
33 administration of the fund.

34 b. Procure insurance against any loss in connection with the  
35 assets of the fund.

1     *c.* Make disbursements from a pupil's account within the  
2 fund to the pupil's parents or guardians for the payment of  
3 qualified educational expenses.

4     *d.* Make transfers to pupils' Iowa education savings plan  
5 trust accounts established under chapter 12D.

6     *e.* Adopt rules pursuant to chapter 17A for the  
7 administration of the fund and accounts within the fund.

8     5. *a.* For each pupil approved for an education savings  
9 grant, the department shall establish an account for that pupil  
10 in the education savings grant fund. The amount of the pupil's  
11 education savings grant determined under subsection 3 shall be  
12 deposited into the pupil's account on July 1 and such amount  
13 shall be immediately available for disbursement to parents and  
14 guardians upon filing and approval of claims from the pupil's  
15 account for qualified education expenses incurred by the parent  
16 or guardian for the pupil during that fiscal year.

17     *b.* A parent or guardian of a pupil may on forms prescribed  
18 by the department of management submit claims for disbursements  
19 of moneys within the account. The department may by rule  
20 designate the appropriate supporting documentation necessary  
21 for the disbursement of moneys in an account including but not  
22 limited to invoices of amounts due and receipts of amounts paid  
23 for qualified education expenses.

24     *c.* The department of management shall upon conclusion of  
25 the fiscal year and disbursement of all claims submitted by  
26 a parent or guardian before conclusion of the fiscal year  
27 transfer any remaining amounts in the pupil's account within  
28 the education savings grant fund to the pupil's Iowa education  
29 savings plan trust account pursuant to chapter 12D.

30     6. For purposes of this section, "*qualified educational*  
31 *expense*" includes tuition and fees at an accredited nonpublic  
32 school, textbooks, payment to a licensed or accredited tutor,  
33 curriculum materials, tuition or fees for nonpublic online  
34 education programs, education materials and services for pupils  
35 with disabilities, standardized test fees, and other expenses

1 incurred by the parent or guardian that are directly related to  
2 the education of the pupil at an accredited nonpublic school or  
3 directly related to providing competent private instruction for  
4 the pupil under chapter 299A.

5 7. A person who makes a false claim for the purpose of  
6 obtaining an education savings grant provided for in this  
7 section or who knowingly receives the grant without being  
8 legally entitled to it is guilty of a fraudulent practice. The  
9 false claim for an education savings grant shall be disallowed  
10 and if amounts from the grant have been disbursed from the  
11 applicable account in the education savings grant fund or  
12 transferred to an Iowa education savings plan trust account  
13 under chapter 12D, the department of management shall initiate  
14 legal proceedings to recover such amounts.

15 Sec. 5. APPLICABILITY. This Act applies to school budget  
16 years and fiscal years beginning on or after July 1, 2013.

17

EXPLANATION

18 This bill provides education savings grants for certain  
19 pupils attending an accredited nonpublic school or receiving  
20 competent private instruction and establishes an education  
21 savings grant fund.

22 Under the bill, pupils eligible to enroll in grades  
23 kindergarten through 12 and attending an accredited nonpublic  
24 school or receiving competent private instruction under Code  
25 chapter 299A are eligible to receive an education savings  
26 grant for school years beginning on or after July 1, 2013. By  
27 January 31 preceding the school year for which the education  
28 savings grant is requested, the parent or guardian of the pupil  
29 requesting to receive an education savings grant must submit an  
30 application to the department of education indicating that the  
31 parent or guardian intends to enroll the pupil in an accredited  
32 nonpublic school or provide competent private instruction for  
33 the pupil. As part of the application, the parent or guardian  
34 must also certify that an account for the pupil has been  
35 established in the Iowa education savings plan trust pursuant

1 to Code chapter 12D (college savings Iowa 529 plan).

2 The bill requires that by March 1 preceding the school  
3 year for which the education savings grant is requested,  
4 the department of education must notify the department of  
5 management of the number of pupils in each school district  
6 designated for the following school year to receive an  
7 education savings grant and the amount of the education savings  
8 grant for each pupil. Education savings grants may only be  
9 approved for one school year and applications must be submitted  
10 for education savings grants in subsequent school years.

11 The amount of each education savings grant is determined  
12 based on the pupil's household income. For pupils that  
13 meet the income eligibility requirement for free and reduced  
14 price meals, the grant is equal to 100 percent of the state  
15 foundation aid per pupil received by the pupil's school  
16 district of residence in the same school year. For household  
17 incomes greater than the income eligibility requirement for  
18 free and reduced price meals but less than 150 percent of  
19 such income eligibility requirement, the grant is equal to 75  
20 percent of the state foundation aid per pupil received by the  
21 pupil's school district of residence in the same school year.  
22 For household incomes equal to or greater than 150 percent of  
23 the income eligibility requirement for free and reduced price  
24 meals, but less than 200 percent of such income eligibility  
25 requirement, the grant is equal to 50 percent of the state  
26 foundation aid per pupil received by the pupil's school  
27 district of residence in the same school year. For household  
28 incomes equal to or greater than 200 percent of the income  
29 eligibility requirement for free and reduced price meals, but  
30 less than 250 percent of such income eligibility requirement,  
31 the grant is equal to 25 percent of the state foundation aid  
32 per pupil received by the pupil's school district of residence  
33 in the same school year.

34 The bill creates an Iowa education savings grant fund in  
35 the state treasury under the control of the department of

1 management consisting of moneys appropriated to the department  
2 for the purpose of providing education savings grants. For  
3 the fiscal year commencing July 1, 2013, and each succeeding  
4 fiscal year, there is appropriated from the general fund of  
5 the state to the department of management the amount necessary  
6 to pay all education savings grants approved for that fiscal  
7 year. For each pupil approved for an education savings grant,  
8 the department of management must establish an account for that  
9 pupil in the educational savings grant fund. The amount of the  
10 pupil's education savings grant is deposited into the pupil's  
11 account on July 1 and such amount is available for disbursement  
12 to parents and guardians upon filing and approval of claims  
13 from the pupil's account for qualified education expenses, as  
14 defined in the bill, incurred by the parent or guardian for the  
15 pupil during that fiscal year.

16 The bill requires the department of management to, upon  
17 conclusion of the fiscal year and disbursement of all claims  
18 submitted by a parent or guardian before conclusion of the  
19 fiscal year, transfer any remaining amounts in the pupil's  
20 account to the pupil's Iowa education savings plan trust  
21 account. However, such contributions to a pupil's Iowa  
22 education savings plan trust account are not considered  
23 contributions that may be deducted for Iowa income tax purposes  
24 under Code section 12D.3.

25 The bill provides that a person who makes a false claim for  
26 the purpose of obtaining an education savings grant or who  
27 knowingly receives the grant without being legally entitled  
28 to it is guilty of a fraudulent practice and is subject to a  
29 criminal penalty. The bill allows the department of management  
30 to initiate legal proceedings to recover grants improperly  
31 awarded under the bill.

32 Pupils receiving an education savings grant under the bill  
33 are counted in the actual enrollment for the pupil's school  
34 district of residence, however, the amount of the grant for  
35 each such student is subtracted from the amount of state aid

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1 otherwise paid to the school district for that budget year.

2 The bill applies to school budget years and fiscal years

3 beginning on or after July 1, 2013.